

Fiscal Estimate - 2025 Session

☒ Original

☐ Updated

☐ Corrected

☐ Supplemental

LRB Number 25-3223/1		Introduction Number SB-0341	
Description the timing of equalization aid payments to school districts			
Fiscal Effect			
State:			
<div><input type="checkbox"/> No State Fiscal Effect</div> <div><input checked="" type="checkbox"/> Indeterminate</div> <div><div><input type="checkbox"/> Increase Existing Appropriations</div><div><input type="checkbox"/> Decrease Existing Appropriations</div><div><input type="checkbox"/> Create New Appropriations</div></div> <div><div><input type="checkbox"/> Increase Existing Revenues</div><div><input type="checkbox"/> Decrease Existing Revenues</div></div> <div><div><input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget</div><div><input type="checkbox"/> Decrease Costs</div></div> <div><div><input type="checkbox"/> Yes</div><div><input type="checkbox"/> No</div></div>			

## Fiscal Estimate Narratives

DPI 7/3/2025

LRB Number	<b>25-3223/1</b>	Introduction Number	<b>SB-0341</b>	Estimate Type	<b>Original</b>
<b>Description</b> the timing of equalization aid payments to school districts					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, DPI pays equalization aid to school districts for each school year in the following four installments: 15 percent in September, 25 percent in December, 25 percent in March, and 35 percent in June.

This bill increases the percentage of equalization aid distributed in September by 2 points each school year and decreases the percentage of equalization aid distributed in June by 2 points each school year, until the 2029-30 school year, at which time the amount of equalization aid distributed in both September and June will be 25 percent. The result is that equalization aid will be paid to school districts in four equal installments beginning in the 2029-30 school year.

State Impact: Indeterminate, potential for loss of revenue from interest earnings.

The bill would have no fiscal impact on DPI's operation and the change to the timing of equalization aid payments will not impact the total amount of equalization distributed each year. However, as general/equalization aid payments are phased into an equal, quarterly installments schedule, as proposed in the bill, the state's general fund would be subject to changes in cash balances/cash flow, compared to current law.

The state appropriation for general / equalization aid is \$5.6 billion in FY26 and FY27; a change of two percentage points would create a sizable swing in the state's general fund balance and would very likely impact the interest earnings for the state (though, because the change would be phased in over five years, the impact would be incremental). The department is not able to estimate the impact on the interest earnings related to the state's general fund.

Local Impact: Indeterminate

Under the bill, the total general/equalization aid eligibility would not be impacted, but the distribution of it throughout the school year would change. School districts would receive more of their aid in the September payment, and less of their aid in the June payment, as compared to current law.

Some districts rely more on short-term borrowing than others (e.g., districts that receive little or no state general aid may choose to short term borrow to manage cash flow until they receive revenues from their property tax levy – a good share of which is distributed to school districts in August, after the school year has ended.) To the extent that the bill reduces the need for short-term borrowing, districts may save on costs associated with short-term borrowing. The amount of those savings would vary from district to district and cannot be projected by the department.

### Long-Range Fiscal Implications